

ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT

ALEXANDRIA, LOUISIANA

June 30, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1-18-2006

England Economic and Industrial Development District

June 30, 2005

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

The Board of Commissioners
England Economic and Industrial Development District

We have audited the accompanying basic financial statements of the England Economic and Industrial Development District, Alexandria, Louisiana, as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the England Economic and Industrial Development District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the England Economic and Industrial Development District as of June 30, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2005, on our consideration of the England Economic and Industrial Development District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

| | | |
|--------------------------|---------------------------|---------------------------|
| MARVIN A. JUREAU, C.P.A. | ROBERT L. LYTTON, C.P.A. | MICHAEL A. JUREAU, C.P.A. |
| H. FRED RANDOW, C.P.A. | ROBERT W. DYORAK, C.P.A. | JAMES H. BALLARD, C.P.A. |
| ERNEST F. SASSER, C.P.A. | REBECCA D. MORRIS, C.P.A. | L. PAUL HORN, C.P.A. |





PAYNE, MOORE & HERRINGTON, LLP

The Board of Commissioners
England Economic and Industrial Development District

Our audit was made for the purpose of forming an opinion on the basic financial statements of the England Economic and Industrial Development District taken as a whole. The accompanying financial information listed as "Additional Information" in the table of contents, including the schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements of the England Economic and Industrial Development District. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as whole.

Payne, Moore & Herrington, LLP

Certified Public Accountants

November 16, 2005

**Required Supplemental Information
Management's Discussion and Analysis**

**England Economic and Industrial Development District
June 30, 2005**

Management Discussion and Analysis (MD&A)

Introduction

The Management's Discussion and Analysis (MD&A) of the England Economic & Industrial Development District's (District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the England Economic & Industrial Development District's financial performance.

Financial and Operating Highlights

A summary of the District's financial and operating highlights for the year ended **June 30, 2005** is as follows:

- Assets exceeded liabilities by \$132,748,124 at June 30, 2005, \$124,137,937 of which is capital assets. \$6,163,629 of this excess is unspent bond proceeds, including accumulated interest earnings, and \$1,102,963 is passenger facility charge fees that have been collected and unspent as of year end, both of which are dedicated for the ongoing construction of a new terminal building.
- Net assets increased \$12,885,367. This was due in large part to federal and state grants received for various capital projects of \$14,044,177. The District also received a \$1,000,000 contribution from the general public (CLECO) offset by depreciation expense of \$3,625,694.
- Despite airline industry upheaval, record high fuel costs and the loss of service to Dallas, Alexandria International Airport (AEX) had record years for enplanements and deplanements. During the current fiscal year AEX had 161,536 enplanements, 157,516 deplanements and 60,553 air operations.
- AEX handled 133,109 pounds of commercial airfreight and 25,249,420 pounds of military airfreight, 94,026 parked cars and sold 4,647,135 gallons of fuel this fiscal year.
- 1,014,094 square feet of commercial space were leased on the Airpark by over 50 tenants. The District also leased 165 residential units onsite.

A summary of the District's financial and operating highlights for the year ended **June 30, 2004** is as follows:

- Assets exceeded liabilities by \$119,862,757 at June 30, 2004, most of which is capital assets. \$6,000,000 of this excess is proceeds from a bond issue during this fiscal year and \$1,168,060 is passenger facility charge fees that have been collected but have not been spent as of year end, both of which are committed for the construction of a new terminal building.
- Net assets increased \$4,474,500. This was due in large part to grants received for various capital projects of \$6,348,135 offset by depreciation expense of \$3,402,664 coupled with the excess of revenues over expenses for the current year.
- Alexandria International Airport (AEX) had 123,367 enplanements, 120,376 deplanements and 51,855 air operations during the current fiscal year.
- AEX handled 163,823 pounds of commercial freight and 7,392,582 pounds of military freight, 83,203 parked cars and sold 4,501,488 gallons of fuel this fiscal year.
- 986,073 square feet of commercial space were leased on the Airpark.

**England Economic and Industrial Development District
June 30, 2005**

Management Discussion and Analysis (MD&A)

Overview of the Financial Statements

The District's basic financial statements are prepared in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The District is structured as single enterprise fund using proprietary fund (enterprise fund) accounting. Under this method of accounting an economic resources measurement focus and an accrual basis of accounting is used. Revenue is recorded when earned and expenses are recorded when incurred.

The *Statement of Net Assets* presents information on all of the District's assets less liabilities, which results in net assets. The statement is designed to display the financial position of the District as of the end of the fiscal year. Over time, increases and decreases in net assets help determine whether the District's financial position is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Assets* provides information which shows how the District's net assets changed as a result of the year's activities. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, certain revenues and expenses are reported in this statement for some items that will result in cash flows in future periods. Revenues are categorized as either operating or non-operating in accordance with definitions set forth in GASB 33 and GASB 34.

The *Statement of Cash Flows* reports information showing how the District's cash and cash equivalent position changed during the year. This statement classifies cash receipts and cash payments for the fiscal year resulting from operating activities, capital and related financing activities, and investing activities.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the statements. The notes to the financial statements follow the basic financial statements.

Financial Analysis of the District

The following schedule presents a summary of net assets as of:

| | <u>June 30, 2005</u> | <u>June 30, 2004</u> |
|---|-----------------------|-----------------------|
| Current and other assets | \$ 18,087,024 | \$ 16,814,627 |
| Capital assets | <u>124,137,937</u> | <u>110,830,219</u> |
| Total assets | \$ 142,224,961 | \$ 127,644,846 |
| Current and other liabilities | \$ 3,800,302 | \$ 1,730,165 |
| Noncurrent liabilities | <u>5,676,535</u> | <u>6,051,924</u> |
| Total liabilities | \$ 9,476,837 | \$ 7,782,089 |
| Net assets: | | |
| Invested in capital assets, net of related debt | \$ 123,982,937 | \$ 110,530,218 |
| Restricted | 7,266,592 | 7,168,060 |
| Unrestricted | <u>1,498,595</u> | <u>2,164,479</u> |
| Total net assets | <u>\$ 132,748,124</u> | <u>\$ 119,862,757</u> |

**England Economic and Industrial Development District
June 30, 2005**

Management Discussion and Analysis (MD&A)

The District's assets exceeded liabilities by \$132,748,124 at June 30, 2005 and by \$119,862,757 at June 30, 2004. The majority of the District's net assets are invested in capital assets (land, buildings, and equipment) owned by the District. These assets are not available for future expenditures since they will not be sold. Restricted assets of the District are limited as to their use. These funds are restricted by law or some other outside source as to how they can be utilized. The restricted net assets are not available for new spending because they have already been committed as follows:

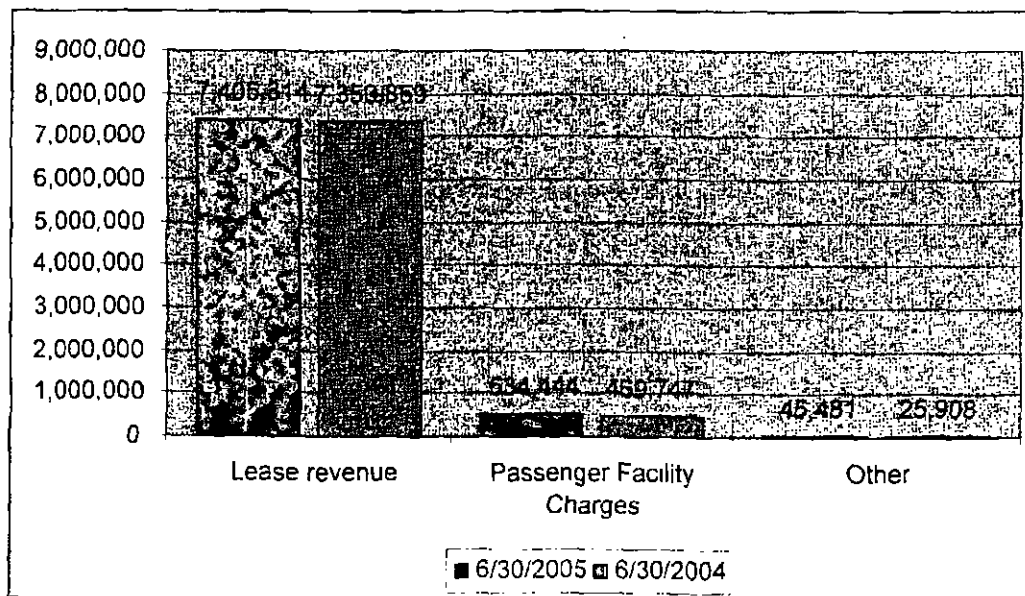
| | <u>June 30, 2005</u> | <u>June 30, 2004</u> |
|----------------------------|----------------------|----------------------|
| Capital expenditures | \$ 6,163,629 | \$ 6,000,000 |
| Passenger facility charges | <u>1,102,963</u> | <u>1,168,060</u> |
| Total Restricted | \$ 7,266,592 | \$ 7,168,060 |

Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements. This amount consists of a 25% operating reserve along with funds designated by management to go towards existing capital projects.

A summary of the District's changes in net assets are reflected in the following schedule:

| | <u>June 30, 2005</u> | <u>June 30, 2004</u> |
|---|----------------------|----------------------|
| Operating Revenues | | |
| (Leases revenues, passenger facility charges and other) | \$ 7,985,239 | \$ 7,846,514 |
| Operating Expenses | <u>9,799,089</u> | <u>9,964,109</u> |
| Operating Income (Loss) | \$ (1,813,850) | \$ (2,117,595) |
| Non-operating revenues (expenses) | <u>(344,960)</u> | <u>(18,290)</u> |
| Income (Loss) Before Contributions | \$ (2,158,810) | \$ (2,135,885) |
| Capital grants and contributions | <u>15,044,177</u> | <u>6,610,385</u> |
| Changes in net assets | \$ 12,885,367 | \$ 4,474,500 |

The following is a graphic representation of the components of operating revenues:



**England Economic and Industrial Development District
June 30, 2005**

Management Discussion and Analysis (MD&A)

- o Lease revenue includes revenues derived from leases for commercial buildings and equipment, residential housing, and fees from other types of services at the airpark.
- o Passenger facility charges (PFC's) are fees imposed when an airline ticket is purchased and can be used only for purposes outlined in the District's PFC application, which is for debt service on the outstanding bonds and the construction costs of the new terminal project. In fiscal year ended June 30, 2005 this amount increased due to a larger number of passengers using Alexandria International Airport.
- o Other revenues include fees for advertising, billeting of military personnel, and various charges for property damages and missing inventory items. This amount increased in fiscal year ended June 30, 2005 primarily due to a tenant being charged for a large number of missing inventory items.

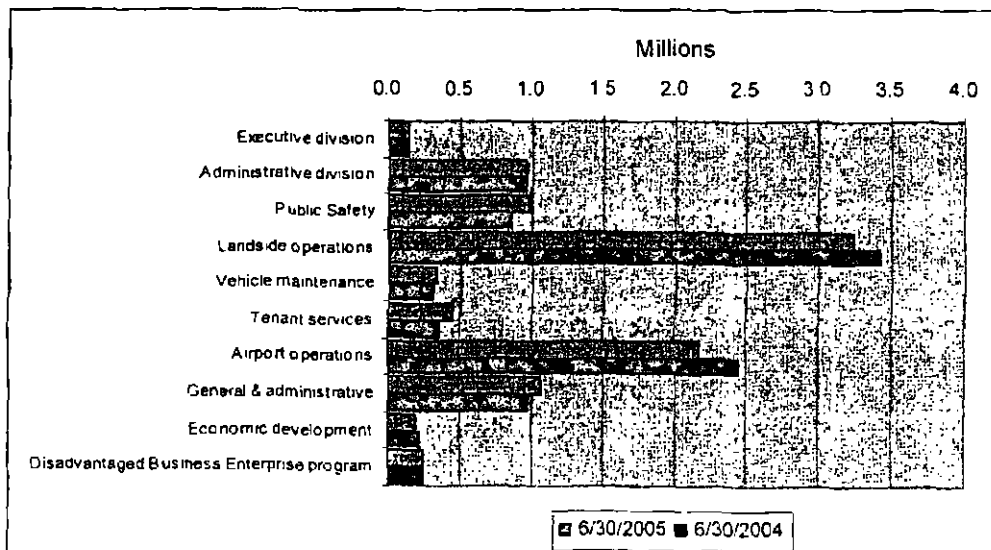
Non-operating revenues (expenses) include interest revenues, interest expense on bonds and the loss recorded on the demolition of various buildings.

Capital grants and contributions include Federal airport improvement program funds, state aviation trust fund grants, and state capital outlay funds along with contributions from the general public.

A summary of the District's operating expenses, including depreciation, are reflected in the following schedule:

| | June 30, 2005 | June 30, 2004 |
|---|---------------------|---------------------|
| Executive division | \$ 145,320 | \$ 143,086 |
| Administrative division | 966,051 | 969,990 |
| Public Safety | 997,115 | 861,462 |
| Landside operations | 3,240,471 | 3,420,478 |
| Vehicle maintenance | 329,483 | 313,227 |
| Tenant services | 443,942 | 364,767 |
| Airport operations | 2,179,126 | 2,442,739 |
| General & administrative | 1,062,864 | 983,430 |
| Economic development | 187,904 | 224,930 |
| Disadvantaged Business Enterprise program | 246,813 | 240,000 |
| Total Operating Expenses | \$ 9,799,089 | \$ 9,964,109 |

The following is a graphic representation of operating expenses:



**England Economic and Industrial Development District
June 30, 2005**

Management Discussion and Analysis (MD&A)

- The executive division includes the Executive Director and his staff.
- The administrative division includes the finance function and supporting activities.
- Public safety covers the security and fire protection for the airpark. These costs increased \$135,653 from last year to this year due to an increase in the cost of security and to higher depreciation costs as assets start to age.
- Landside operations include the maintenance and upkeep of building and grounds that are not related to the airfield. These expenses decreased \$180,007 from last year to this year primarily due to a number of buildings being demolished in the prior year.
- Vehicle maintenance consists of the maintenance of all vehicles that are owned and operated by the District.
- Tenant services covers costs that are directly associated with facilities that are occupied by current tenants. These expenses increased \$79,175 from the prior year due to some major repairs that were done to various buildings during this past year.
- Airport operations encompass the activities of the airport terminal as well as buildings and equipment that are directly related to airfield side of the airpark. These costs decreased \$263,613 from last year to this year because in the prior year, the District ceased operating the restaurant at the terminal, the District made one-time purchases of firefighting supplies, and the decreased purchases of equipment.
- General & Administrative includes the costs associated with the general running of all the operations departments. Expenses in this department increased by \$79,434 over the previous year because of higher gas and electricity costs.
- Economic Development incorporates the marketing of the airpark and tenant relations. These costs decreased by \$37,026 from the prior year because the director's position was vacant for part of the past year.
- Disadvantaged Business Enterprises (DBE) program is a program designed to assist small and economically disadvantaged businesses obtain contracts for their services.

Capital Assets

The District had invested in capital assets including land, construction in progress, vehicles, machinery and equipment, buildings and improvements, and infrastructure in the following amounts. These amounts are net of accumulated depreciation to date.

| | <u>June 30, 2005</u> | <u>June 30, 2004</u> |
|-----------------------------------|----------------------|----------------------|
| Land | \$ 6,894,470 | \$ 5,150,087 |
| Construction in progress | 17,902,817 | 13,657,049 |
| Vehicles, machinery and equipment | 1,441,947 | 1,566,249 |
| Buildings and improvements | 75,550,051 | 78,270,715 |
| Infrastructure | <u>22,348,652</u> | <u>12,186,119</u> |
| Net Assets | \$124,137,937 | \$ 110,830,219 |

Major capital assets events during the current fiscal year included the following:

- Approximately 381 acres of land, costing \$1,744,384, adjacent to the airpark was purchased for the purpose of future expansion.
- \$63,155 in firefighting equipment was acquired.

See independent auditor's report

**England Economic and Industrial Development District
June 30, 2005**

Management Discussion and Analysis (MD&A)

- \$53,865 in various parking lots and road extensions were put in place.
- Four new John Deere mowers were purchased at a cost of \$56,794.
- Various buildings costing \$489,987 were demolished during the year.
- A major warehouse renovation in the amount of \$500,168 was completed.
- Construction in progress added during the year was \$11,842,916. Total Construction in Progress at year-end included various projects as follows:

| | |
|-----------------------|----------------------|
| New Terminal Building | \$ 17,176,189 |
| Taxiway B | 674,537 |
| Others | 52,091 |
| Total | <u>\$ 17,902,817</u> |

- Construction in progress at the beginning of the year that was completed during the year totaled \$7,597,148. Projects in progress at the beginning that were completed during the year included the following:

| | |
|----------------------|----------------------|
| Terminal Access Road | \$ 2,804,097 |
| Taxiway Connectors | 5,954,841 |
| Rail Spur | 1,883,126 |
| Total | <u>\$ 10,642,064</u> |

Additional information on the District's capital assets is presented in the notes to the basic financial statements.

Debt Administration

The District had the following balances in notes and compensated absences outstanding at year-end. Additional information on the District's long-term debt is presented in the notes to the basic financial statements.

| | <u>June 30, 2005</u> | <u>June 30, 2004</u> |
|------------------------------|----------------------|----------------------|
| Bonds payable | \$ 5,625,000 | \$ 5,915,000 |
| Certificates of Indebtedness | 155,000 | 300,000 |
| Compensated absences | 46,208 | 49,053 |
| Total long-term debt | <u>\$ 5,826,208</u> | <u>\$ 6,264,053</u> |

The District continued to pay down its bonded debt issued in 1995, retiring \$145,000 in an outstanding certificate of deposit and \$290,000 on bonds payable during the fiscal year 2005.

In June 2005, the Sub-District issued \$31,595,000 in bonds to help finance the acquisition, construction, equipping, installation and improvements of a railroad car manufacturing facility and administrative offices. Neither the District nor the Sub-District is obligated in any manner for repayment of the bonds. The debt service on these bonds is to be paid by the State of Louisiana. Because of that fact, these bonds are not recorded in the financial statements of the District.

**England Economic and Industrial Development District
June 30, 2005**

Management Discussion and Analysis (MD&A)

State law does not provide a limitation on the amount of debt that may be issued by the District. The bonds issued by the District are not rated.

Economic Factors and Next Year's Budget

The following are currently known economic factors considered in going into the 2005-2006 fiscal year.

- In July 2005 the District transferred approximately 122 acres adjacent to the airpark to Union Tank Car Company, which will use the land to build a plant that will manufacture railroad tank cars. They are in the process of building their manufacturing plant on this property and it is scheduled to be completed in early 2006. It will employ about 850 people. The Sub-District issued \$31,595,000 in bonds for this project as noted in the preceding section.
- Construction is continuing on the new airport terminal building project. Approximately \$6.1 million dollar in contracts were awarded in August and September 2005 for the terminal parking loop and access road phase of the new airport terminal building project. About \$5,500,000 in new contracts should be awarded in the spring of 2006 for this project. This project is scheduled to be completed in September 2006.
- In 2005, the District was awarded a grant from the Federal Aviation Administration for approximately \$1.9 million and then the District awarded a \$1.7 million contract for the rehabilitation of taxiway alpha on the airfield.
- An airport runway regenerative sweeper was purchased for \$135,150 in September 2005.
- In September and October 2005 two major hurricanes made landfall in and about the southern coastal region of Louisiana. The affects of these storms have been devastating. All available funding sources from the State of Louisiana have been directed to clean up and relief efforts. The District was anticipating receiving \$5,000,000 in State funds to construct a new jet maintenance hangar. Because of the storms and the probably redirection of funding, plans for this project have been placed on hold. The Federal Aviation Administration had awarded the District \$5,000,000 for this project. Attempts are underway to redirect this funding to the new airport terminal project.
- The Department of Defense is in the process of constructing approximately \$50,000,000 of airfield improvements to support operations at Fort Polk.

Contacting The District's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Kevin J. Brown, Finance Manager, 1611 Arnold Drive, Alexandria, LA 71303, or call (318) 449-3504 during regular office hours, Monday through Friday, from 8:00 a.m. to 5:00 p.m., Central Standard Time.

Basic Financial Statements

**England Economic and Industrial Development District
Statement of Net Assets
June 30, 2005**

Exhibit A

Assets

Current Assets

| | |
|--|-------------------|
| Cash and cash equivalents | \$ 6,441,838 |
| Receivables - net of allowance for doubtful accounts | 3,409,753 |
| Prepaid expenses | 326,896 |
| Total Current Assets | <u>10,178,487</u> |

Noncurrent Assets

| | |
|---|--------------------|
| Restricted cash and equivalents | 7,266,592 |
| Note receivable | 600,000 |
| Other noncurrent assets | 41,945 |
| Capital assets | |
| Land and construction in progress | 24,797,287 |
| Other capital assets, net of depreciation | 99,340,650 |
| Total Noncurrent Assets | <u>132,046,474</u> |

Total Assets

142,224,961

Liabilities

Current Liabilities

| | |
|-------------------------------------|------------------|
| Accounts and contracts payable | 3,162,100 |
| Accrued expenses and other payables | 124,055 |
| Due to other governments | 28,861 |
| Deferred revenue | 20,286 |
| Bonds and certificates payable | 465,000 |
| Total Current Liabilities | <u>3,800,302</u> |

Noncurrent Liabilities

| | |
|-------------------------------------|------------------|
| Tenant deposits | 145,131 |
| Contingent tenant rebates | 170,196 |
| Compensated absences | 46,208 |
| Bonds and certificates payable | 5,315,000 |
| Total Noncurrent Liabilities | <u>5,676,535</u> |

Total Liabilities

9,476,837

Net Assets

| | |
|---|------------------|
| Investment in capital assets, net of related debt | 123,982,937 |
| Restricted for | |
| Construction | 6,163,629 |
| PFC projects | 1,102,963 |
| Unrestricted | <u>1,498,595</u> |

Total Net Assets

\$ 132,748,124

The accompanying notes are an integral part of the financial statements.

**England Economic and Industrial Development District
Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2005**

Exhibit B

| | |
|--|------------------------------|
| Operating Revenues | |
| Lease revenue and related fees | \$ 7,405,314 |
| Passenger facility charges | 534,444 |
| Miscellaneous | 45,481 |
| Total Operating Revenues | <u>7,985,239</u> |
| Operating Expenses | |
| Executive division | 145,320 |
| Administrative division | 966,051 |
| Public safety | 997,115 |
| Landside operations | 3,240,471 |
| Vehicle maintenance | 329,483 |
| Tenant services | 443,942 |
| Airport operations | 2,179,126 |
| General and administration | 1,062,864 |
| Economic development | 187,904 |
| Disadvantaged business enterprise program | 246,813 |
| Total Operating Expenses | <u>9,799,089</u> |
| Operating Income (Loss) | (1,813,850) |
| Non-Operating Revenues (Expenses) | |
| Investment income | 322,261 |
| Gain (Loss) on disposition of capital assets | (331,307) |
| Interest expense | (335,914) |
| Total Non-Operating Revenues (Expenses) | <u>(344,960)</u> |
| Income (Loss) Before Contributions | (2,158,810) |
| Capital Contributions | |
| Capital grants | 14,044,177 |
| Public contributions | 1,000,000 |
| Total Capital Contributions | <u>15,044,177</u> |
| Change in Net Assets | 12,885,367 |
| Net Assets, Beginning of Year | <u>119,862,757</u> |
| Net Assets, End of Year | <u><u>\$ 132,748,124</u></u> |

The accompanying notes are an integral part of the financial statements.

**England Economic and Industrial Development District
Statement of Cash Flows
Year Ended June 30, 2005**

**Exhibit C
(Continued)**

Cash Flows from Operating Activities

| | |
|--|------------------|
| Received from operations | \$ 8,075,915 |
| Payments to employees | (928,102) |
| Payments to vendors and others | (5,727,797) |
| Net Cash Provided (Used) by Operating Activities | <u>1,420,016</u> |

Cash Flows from Noncapital Financing Activities

-

Cash Flows from Capital and Related Financing Activities

| | |
|--|--------------------|
| Interest received on construction funds | 260,620 |
| Proceeds from sale of capital assets | 4,538 |
| Purchase and construction of capital assets | (15,053,970) |
| Principal paid on capital debt | (435,000) |
| Interest paid on capital debt | (337,142) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(2,103,328)</u> |

Cash Flows from Investing Activities

| | |
|--|------------------|
| Interest received on operating funds | 71,589 |
| Maturity of certificates of deposit | 3,000,000 |
| Net Cash Provided (Used) by Investing Activities | <u>3,071,589</u> |

Change in Cash and Equivalents

2,388,277

Cash and Equivalents, Beginning of Year

11,320,153

Cash and Equivalents, End of Year

\$ 13,708,430

Cash and Equivalents Consist of:

| | |
|-----------------------------------|------------------|
| Unrestricted cash and equivalents | \$ 6,441,838 |
| Restricted cash and equivalents | <u>7,266,592</u> |

Cash and Equivalents, End of Year

\$ 13,708,430

The accompanying notes are an integral part of the financial statements.

**England Economic and Industrial Development District
Statement of Cash Flows
Year Ended June 30, 2005**

**Exhibit C
(Concluded)**

**Reconciliation of Operating Income (Loss) to
Net Cash Provided (Used) by Operating Activities**

| | |
|--|----------------------------|
| Operating income (loss) | \$ (1,813,850) |
| Adjustments to reconcile operating loss to net cash provided by operating activities | |
| Depreciation | 3,625,694 |
| Changes in assets and liabilities | |
| Accounts receivable | (5,498) |
| Prepaid expenses | (306,849) |
| Accounts payable and contracts payable | (175,731) |
| Accrued expenses and other payables | 8,419 |
| Deferred revenue | (1,780) |
| Tenant deposits | 79,323 |
| Contingent tenant rebates | 13,133 |
| Compensated absences | (2,845) |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 1,420,016</u> |

The accompanying notes are an integral part of the financial statements.

England Economic and Industrial Development District

June 30, 2005

Notes to Financial Statements

1. Organization and Significant Accounting Policies

Organization

England Economic and Industrial Development District (the District) was created by the State of Louisiana Legislature for the following purposes:

- Accepting title from the United States of America to property included in the England Air Force Base.
- Utilizing that and other property, and all assistance available from the United States government and all other sources, to replace and enhance the economic benefits generated by the former air base with diversified activities.

A Board of Commissioners appointed by various governmental units located within Rapides Parish governs the District. The District has the power to incur debt and issue revenue and general obligation bonds, certificates of indebtedness, anticipation notes, refunding bonds, and the power of taxation, subject to the limitations provided in the revised statutes governing the District.

The accompanying financial statements of the District are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GAAP includes all relevant GASB pronouncements. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

Reporting Entity

GASB Statement No. 14, *The Reporting Entity*, as amended, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a primary government, since it is a special purpose government that has a separately appointed governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The District also has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the board members are financially accountable, except for the sub-district described below, which is treated as a blended component unit for reporting purposes. There are no other primary governments with which the District has a significant relationship.

England Economic and Industrial Development District

June 30, 2005

Notes to Financial Statements

Creation of a Sub-District

On October 28, 2004 the District created England Sub-District No. 1 (Sub-District) for the purpose of separating the land on which a rail car manufacturing facility is to be constructed and operated. The Sub-District has the power to incur debt, issue certificates, revenue and general obligation bonds, as well as refunding bonds, and levy sales taxes and use taxes, in the same manner as the District. The Sub-District is governed by a ten member Board of Commissioners, which is populated by the sitting board of the EEIDD. The staff of the EEIDD is the staff of the Sub-District. On May 26, 2005, the District conveyed fee title interest to the Sub-District of approximately 120 acres of land located adjacent to England Airpark.

Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. These principles require a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt: This component of net assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net assets: This component of net assets consists of constraints imposed by creditors (such as through debt covenants), contributors, laws or regulations of other governments, or through constitutional provisions or enabling legislation.
- Unrestricted net assets: This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Accounting

The accounts of the District are organized on the basis of an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed primarily through user charges or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

England Economic and Industrial Development District

June 30, 2005

Notes to Financial Statements

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a flow of economic measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. The operating statement presents increases (revenues) and decreases (expenses) in total net assets.

The accrual basis of accounting is utilized by enterprise funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with its principal ongoing operations. The principal operating revenues of the District are lease revenue and related fees. Operating expenses include costs of providing services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District may report deferred revenue on its combined balance sheet. Deferred revenues arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for deferred revenue is removed from the statement of net assets and revenue is recognized.

Cash and Cash Equivalents

Amounts reported as cash and cash equivalents include all cash on hand, cash in bank accounts, certificates of deposit with maturity of three months or less when acquired, and highly liquid investments held in the Louisiana Asset Management Program.

Receivables

Receivables are shown net of the estimated allowance for uncollectible amounts. The uncollectible amounts are based on collection experience and review of the status of existing receivables.

Capital Assets

Capital assets are capitalized and depreciated on a straight-line basis over their estimated useful lives. Public domain (infrastructure) capital assets consisting of roads, bridges, drainage system, and similar items are capitalized. The valuation basis for capital assets is historical cost, or when historical cost is not available, estimated historical cost. Donated assets are valued at estimated fair value on date of donation. The minimum capitalization threshold is any individual item with a total cost greater than \$500.

England Economic and Industrial Development District

June 30, 2005

Notes to Financial Statements

Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest was capitalized for the year ended June 30, 2005, in accordance with this policy.

Contingent Tenant Rebates

Tenants leasing residential homes (houses only, not apartments) are eligible to receive a rebate equal to a maximum of 10% of the first three years of rental payments if the tenant leaves in good standing and applies the rebate to the purchase of a home within Rapides Parish. If these conditions are not met, the rebate reverts to the District and is recorded as lease income.

Compensated Absences

Vested or accumulated leave is accrued in the period the liability is incurred. No liability is recorded for compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the employer and employee.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Cash and Cash Equivalents, And Investments

At year-end, cash and cash equivalents consisted of the following:

| | <u>Unrestricted</u> | <u>Restricted</u> | <u>Total</u> |
|--|---------------------|---------------------|----------------------|
| Petty cash | \$ 1,100 | \$ | \$ 1,100 |
| Cash in bank | 3,182,237 | 1,102,963 | 4,285,200 |
| Certificates of deposit (original maturity 3 months or less) | 3,065,769 | 6,163,629 | 9,229,398 |
| Louisiana Asset Management Pool | 192,732 | | 192,732 |
| | <u>\$ 6,441,838</u> | <u>\$ 7,266,592</u> | <u>\$ 13,708,430</u> |

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. The District's cash in bank and certificates of deposit, at year-end, were entirely covered by federal depository insurance or by collateral held by the District or its agent in the District's name.

Management considers the highly liquid investments held in the Louisiana Asset Management Pool (LAMP), a local government investment pool, to have minimal custodial credit risk.

England Economic and Industrial Development District

June 30, 2005

Notes to Financial Statements

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with state law. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the United States of America or one of its agencies, as well as repurchase agreements collateralized by those securities, and investment grade (A-1/P-1) commercial paper of domestic United States corporations.

LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. LAMP, Inc. is subject to the regulatory oversight of the state treasurer and its board of directors. LAMP is not registered with the SEC as an investment company.

Investments: The District may invest in United States bonds, treasury notes, or time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, investments as stipulated in state law, or any other federally insured investment. Certificates of deposit that have a maturity date of more than 3 months are classified as investments. At year-end, the District had no investments.

3. Receivables

At year end receivables consisted of the following:

| | |
|------------------------------|------------------|
| Accounts receivable | \$ 154,213 |
| Leases receivable | 278,374 |
| Intergovernmental | <u>3,128,362</u> |
| Gross receivables | 3,560,949 |
| Allowance for uncollectibles | <u>(151,196)</u> |
| Net Receivables | \$ 3,409,753 |

4. Note Receivable

The note receivable consists of an economic development loan to finance part of the construction of a hotel on District property. The loan is subordinated to certain mortgages listed in the agreement not to exceed \$3,600,000. The interest rate on this loan shall equal the New York Prime rate, adjusted at three-year intervals. The loan shall be repaid in 180 monthly payments, starting in November 2001, with the first 60 payments consisting of the then accrued interest on the outstanding principal balance. Scheduled future payments, based on terms in effect on June 30, 2005, are as follows:

| <u>Year Ended June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------|------------------|-----------------|---------------|
| 2006 | \$ | \$ 27,000 | \$ 27,000 |
| 2007 | 32,166 | 26,605 | 58,771 |
| 2008 | 50,092 | 24,528 | 74,620 |
| 2009 | 52,393 | 22,227 | 74,620 |
| 2010 | 54,800 | 19,820 | 74,620 |
| 2011-2015 | 314,157 | 58,941 | 373,098 |
| 2016-2017 | <u>96,392</u> | <u>3,101</u> | <u>99,493</u> |
| | \$ 600,000 | \$ 182,222 | \$ 782,222 |

England Economic and Industrial Development District

June 30, 2005

Notes to Financial Statements

5. Capital Assets and Depreciation

A summary of changes in capital assets is presented below:

| | <u>Beginning</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending</u> |
|--------------------------------------|------------------|------------------|------------------|----------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 5,150,087 | \$ 1,744,383 | \$ | \$ 6,894,470 |
| Construction in progress | 13,657,049 | 14,887,832 | (10,642,064) | 17,902,817 |
| Totals | 18,807,136 | 16,632,215 | (10,642,064) | 24,797,287 |
| Capital assets being depreciated | | | | |
| Other capital assets | | | | |
| Vehicles, machinery, and equipment | 3,355,028 | 83,012 | | 3,438,040 |
| Buildings and improvements | 105,436,040 | 500,168 | (489,988) | 105,446,220 |
| Infrastructure | 15,495,601 | 10,695,929 | | 26,191,530 |
| Totals | 124,286,669 | 11,279,109 | (489,988) | 135,075,790 |
| Accumulated depreciation | | | | |
| Vehicles, machinery, and equipment | (1,788,779) | (207,314) | | (1,996,093) |
| Buildings and improvements | (27,165,325) | (2,884,984) | 154,140 | (29,896,169) |
| Infrastructure | (3,309,482) | (533,396) | | (3,842,878) |
| Totals | (32,263,586) | (3,625,694) | 154,140 | (35,735,140) |
| Other Assets, Net of Depreciation | 92,023,083 | 7,653,415 | (335,848) | 99,340,650 |
| Net capital assets | \$ 110,830,219 | \$ 24,285,630 | \$(10,977,912) | \$ 124,137,937 |

Depreciation was charged to functions as follows:

| | |
|----------------------------|---------------------|
| Executive division | \$ 1,129 |
| Administrative division | 49,477 |
| Public safety | 151,623 |
| Landside operations | 2,569,507 |
| Vehicle maintenance | 49,499 |
| Airport operations | 803,425 |
| General and administrative | 801 |
| Economic development | 233 |
| | <u>\$ 3,625,694</u> |

A summary of significant construction and renovation projects is presented below:

| | <u>Project Authorization</u> | <u>Expended To Date</u> | <u>Commitments</u> | <u>Required Further Financing</u> |
|--------------------|----------------------------------|-----------------------------|----------------------|---|
| Airport Projects | | | | |
| Terminal | \$ 44,086,280 | \$ 19,979,132 | \$ 17,009,202 | (A) |
| Maintenance hanger | 5,263,157 | 3,671 | 175,655 | (A) |
| Taxiways | 16,828,355 | 6,633,203 | 8,872,123 | (A) |
| | <u>\$ 66,177,792</u> | <u>\$ 26,616,006</u> | <u>\$ 26,056,980</u> | |

England Economic and Industrial Development District

June 30, 2005

Notes to Financial Statements

(A) The airport projects are funded by federal and state grants, and operating revenues. In addition, the District issued \$6,000,000 in revenue bonds to complete construction of the terminal.

6. Tenant Deposits, Contingent Tenant Rebates, and Compensated Absences

Net changes in tenant deposits, contingent tenant rebates, and compensated absences are summarized below:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|---------------------------|------------------------------|------------------|-------------------|---------------------------|--|
| Tenant deposits | \$ 65,808 | \$ 79,323 | \$ | \$ 145,131 | \$ - |
| Contingent tenant rebates | 157,063 | 13,133 | | 170,196 | - |
| Compensated absences | 49,053 | | (2,845) | 46,208 | - |

7. Bonds and Certificates Payable

At year-end, bonds and certificates payable consisted of the following:

| | <u>Maturity Dates</u> | <u>Interest Rates</u> | <u>Ending Balances</u> |
|--|---------------------------|---------------------------|----------------------------|
| Certificates of indebtedness, Series 1995 – capital projects | 2006 | 6.00% | \$ 155,000 |
| Revenue bonds, Series 2003 – capital projects | 2018 | 5.50% | 5,625,000 |
| | | | <u>\$ 5,780,000</u> |

The certificates of indebtedness are secured by and payable from a pledge of the excess of annual revenues above statutory, necessary and usual charges incurred by the District. The revenue bonds are secured by and payable from, first, revenues from passenger facility charges and, second, the excess of annual revenues above statutory, necessary and usual charges incurred by the District.

The following changes occurred in bonds and certificates payable during the year:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|------------------------------|------------------------------|------------------|---------------------|---------------------------|--|
| Certificates of indebtedness | \$ 300,000 | \$ | \$ (145,000) | \$ 155,000 | \$ 155,000 |
| Revenue bonds | 5,915,000 | | (290,000) | 5,625,000 | 310,000 |
| | <u>\$ 6,215,000</u> | <u>\$ -</u> | <u>\$ (435,000)</u> | <u>\$ 5,780,000</u> | <u>\$ 465,000</u> |

England Economic and Industrial Development District

June 30, 2005

Notes to Financial Statements

The annual requirements to amortize outstanding long-term debt are as follows:

| <u>Year Ended June 30,</u> | <u>Principal Payments</u> | <u>Interest Payments</u> | <u>Total</u> |
|----------------------------|-------------------------------|------------------------------|------------------|
| 2006 | \$ 465,000 | \$ 314,025 | \$ 779,025 |
| 2007 | 325,000 | 292,325 | 617,325 |
| 2008 | 340,000 | 274,450 | 614,450 |
| 2009 | 360,000 | 255,750 | 615,750 |
| 2010 | 380,000 | 235,950 | 615,950 |
| 2011-2015 | 2,245,000 | 841,775 | 3,086,775 |
| 2016-2018 | <u>1,665,000</u> | <u>186,450</u> | <u>1,851,450</u> |
| | \$ 5,780,000 | \$ 2,400,725 | \$ 8,180,725 |

Conduit Debt Obligations

The District issued industrial revenue bonds to provide financial assistance to private sector entities for the construction of industrial facilities deemed to be in the public interest. These bonds are secured by the property financed and are payable solely from payments received from the underlying mortgage loan. Upon repayment of these bonds, ownership of the acquired facilities transfers to the private-sector entities served by the bond issuance. Neither the District, nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

On June 15, 2005, the England Sub-District No. 1 (Sub-district) issued \$31,595,000 in revenue bonds to pay for a portion of the costs of acquisition, construction, equipping, installation and improvements of a rail car manufacturing facility and administrative offices. These bonds are secured by a pledge of all rights and interests of the Sub-District in, to and under the Cooperative Endeavor agreement between the Sub-District and the State of Louisiana (Agreement). In accordance with the Agreement, the State of Louisiana has agreed to make all payments on this bond issue. Neither the District nor the Sub-District is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported in the accompanying financial statements. As of June 30, 2005, the aggregate principal outstanding on these bonds was \$31,595,000.

As of June 30, 2005, the total aggregate principal outstanding on conduit debt obligations was \$49,435,000.

8. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks of loss are covered by a comprehensive commercial insurance policy and workers compensation insurance. Claims resulting from these risks have historically not exceeded insurance coverage.

England Economic and Industrial Development District

June 30, 2005

Notes to Financial Statements

9. Contingencies

The District is party to legal proceedings involving suits filed against the District for various reasons. Some of these suits claim damages that are material in amount. The amount of losses, if any, that may arise from these suits cannot be reasonably estimated. Management does not believe that the District is exposed to any material losses not covered by insurance. No provision for losses is included in the financial statements.

The District receives grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could result in a request for reimbursement for disallowed costs under the terms of the grant agreements. In the opinion of management, such disallowance, if any, would be insignificant.

10. Leases

As mentioned previously, the District is responsible for utilizing the property formerly known as England Air Force Base. In order to fulfill this responsibility, the District has executed a lease agreement with the United States Air Force. In order to replace and enhance the economic benefits generated by the former air base, the District leases a portion of the property to tenants in a manner that is expected to have a positive effect on the local economy. Details regarding the District's leasing activities are provided as follows:

Lease Agreement with the United States Air Force

Title to approximately 50% of what was formally known as England Air Force Base has been granted to the District. The District occupies the remainder of the property under a lease agreement with the United States Air Force. As consideration for the rights received under the lease, the District is required to maintain the property, provide security, and furnish fire protection.

The lease has an initial term of 55 years; however, the District expects to receive title to the remaining leased property before the initial term expires. If necessary, the District has an option to renew the lease for an additional term upon expiration of the initial term. Furthermore, either party may cancel the lease without cause provided the party canceling the lease furnishes 30 days written notice.

Leasing Operations

One of the District's primary activities and sources of income is leasing property to various tenants. Since most of the property utilized in this activity is subject to the District's lease arrangement with the United States Air Force, its lease agreements with the tenants are structured as subleases. The subleases' terms include provisions for automatic conversion of the subleases to primary leases if the primary lease with the Air Force is terminated.

England Economic and Industrial Development District

June 30, 2005

Notes to Financial Statements

Future minimum rentals on non-cancelable subleases for the next five years and in aggregate are presented as follows:

| <u>Year Ended June 30.</u> | <u>Future Minimum Lease Payments</u> |
|----------------------------|--|
| 2006 | \$ 4,290,920 |
| 2007 | 2,765,400 |
| 2008 | 2,440,111 |
| 2009 | 1,124,689 |
| 2010 | <u>570,673</u> |
| | \$ 11,191,793 |

Contingent rental income included in the accompanying financial statements as lease revenues and related fees totaled \$355,207.

11. Subsequent Events

In July 2005, the Sub-District conveyed fee title interest to UTLX Manufacturing, Inc. (UTLX) of approximately 120 acres of land adjacent to England Airpark. This land is to be used to house a railroad tank car manufacturing facility that is to be built and operated by UTLX. The facility is expected to be operational the summer of 2006.

Additional Information

**England Economic and Industrial Development District
Schedule of Expenditures of Federal Financial Assistance
Year Ended June 30, 2005**

Schedule 1

| Federal Grantor | <u>Federal CFDA Number</u> | <u>Federal Expenditures</u> |
|---------------------------------|---|--|
| US Department of Transportation | | |
| Direct Programs | | |
| Airport Improvement Program | 20.106 | <u>\$ 10,858,963</u> |
| Total | | <u><u>\$ 10,858,963</u></u> |

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. Note 1 to the financial statements provides additional information relative to the District's accounting policies.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

No federal funds were awarded to subrecipients during the year ended June 30, 2005.

See independent auditor's report.

**England Economic and Industrial Development District
Schedule of General Fund Revenues and Expenditures -
Budget (Non-GAAP) and Actual
Year Ended June 30, 2005**

| | Schedule 2 | | |
|---|------------------------|------------------------------|---|
| | Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues | | | |
| Lease revenue and related fees | \$ 7,424,895 | \$ 7,405,314 | \$ (19,581) |
| Investment income | 57,300 | 61,641 | 4,341 |
| Other | 350,322 | 50,021 | (300,301) |
| Total Operating Revenues | <u>7,832,517</u> | <u>7,516,976</u> | <u>(315,541)</u> |
| Executive division | 144,186 | 144,191 | (5) |
| Administrative division | 2,474,692 | 2,230,481 | 244,211 |
| General and administration | 1,139,791 | 1,062,063 | 77,728 |
| Landside operations | 811,528 | 721,817 | 89,711 |
| Vehicle maintenance | 286,240 | 279,984 | 6,256 |
| Public safety | 851,330 | 845,492 | 5,838 |
| Tenant services | 481,000 | 417,630 | 63,370 |
| Airport operations | 1,454,456 | 1,325,091 | 129,365 |
| Economic development | 189,294 | 187,671 | 1,623 |
| Total Operating Expenses | <u>7,832,517</u> | <u>7,214,420</u> | <u>618,097</u> |
| Excess of Revenues Over Expenditures | <u><u>\$ -</u></u> | <u><u>\$ 302,556</u></u> | <u><u>\$ 302,556</u></u> |

See independent auditor's report.

**Other Reports and Information Required by
Government Auditing Standards
or Louisiana Governmental Audit Guide**



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
the Basic Financial Statements Performed
in Accordance with Government Auditing Standards**

The Board of Commissioners
England Economic and Industrial Development District

We have audited the basic financial statements of the England Economic and Industrial Development District, as of and for the year ended June 30, 2005, and have issued our report thereon dated November 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the England Economic and Industrial Development District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the England Economic and Industrial Development District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

MARVIN A. JONEAU, C.P.A.
N. FRED BARNOW, C.P.A.
ERNEST F. SASSER, C.P.A.

ROBERT L. LITTON, C.P.A.
ROBERT W. DYORAK, C.P.A.
REBECCA B. MORRIS, C.P.A.

MICHAEL A. JONEAU, C.P.A.
JAMES B. BALLARD, C.P.A.
L. PAUL WOOD, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

The Board of Commissioners
England Economic and Industrial Development District

This report is intended solely for the information and use of the Board of Commissioners and management of the England Economic and Industrial Development District, federal awarding agencies, and the Legislative Auditor of the State of Louisiana. It is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is in fact a public document.

Payne, Moore, & Herrington, LLP

Certified Public Accountants

November 16, 2005



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

**Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133**

The Board of Commissioners
England Economic and Industrial Development District

Compliance

We have audited the compliance of the England Economic and Industrial Development District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2005. The England Economic and Industrial Development District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the England Economic and Industrial Development District's management. Our responsibility is to express an opinion on the England Economic and Industrial Development District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the England Economic and Industrial Development District's compliance with those requirements.

In our opinion the England Economic and Industrial Development District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

MARVIN A. JONEAU, C.P.A.
N. FRED BARNUM, C.P.A.
ERNEST F. SASSER, C.P.A.

ROBERT L. LITTON, C.P.A.
ROBERT W. DUBOIS, C.P.A.
RENEGA B. MORRIS, C.P.A.

MICHAEL A. JONEAU, C.P.A.
JAMES N. BALLARD, C.P.A.
L. PAUL MOORE, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

The Board of Commissioners
England Economic and Industrial Development District

Internal Control Over Compliance

The management of the England Economic and Industrial Development District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirement of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners and management of the England Economic and Industrial Development District, federal awarding agencies, and the Legislative Auditor of the State of Louisiana. It is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is in fact a public document.

Payne, Moore & Herrington, LLP

Certified Public Accountants

November 16, 2005

**England Economic and Industrial Development District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005**

Section I - Summary of Auditor's Results

Financial Statements

| | | |
|---|----------------|-----------------------|
| Type of auditor's report issued: | Unqualified | |
| Internal control over financial reporting: | | |
| Material weaknesses identified? | _____ yes | ___x___ no |
| Reportable conditions identified that are not considered to be material weaknesses? | _____ yes | ___x___ none reported |
| Possible noncompliance material to financial statements noted? | _____ yes | ___x___ no |
| Management's Corrective Action Plan | Not Applicable | |
| Management's Summary Schedule of Prior Audit Findings | Not Applicable | |
| Memorandum of Recommendations and Other Comments | None | |

Federal Awards

| | | |
|--|-------------|-----------------------|
| Internal control over major programs: | | |
| Material weaknesses identified? | _____ yes | ___x___ no |
| Reportable conditions identified that are not considered to be material weaknesses? | _____ yes | ___x___ none reported |
| Type of auditor's report issued on compliance for major programs: | Unqualified | |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | _____ yes | ___x___ no |

**England Economic and Industrial Development District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005**

Identification of major programs:

CFDA Number

20.106

Name of Federal Program

Airport Improvement Program

Dollar threshold used to distinguish
between type A and type B programs:

\$325,769

Auditee qualified as low-risk auditee?

☐ yes

☒ no

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings And Questioned Costs

None.

**Report and Other Information Required by the
*Passenger Facility Charge Audit Guide for Public Agencies***



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

**Report on Compliance Applicable to
the Passenger Facility Charge Program and on Internal Control Over Compliance
in Accordance with the *Passenger Facility Charge Audit Guide for Public Agencies*
and on the Schedule of Passenger Facility Charges Revenue and Disbursements**

The Board of Commissioners
England Economic and Industrial Development District

Compliance

We have audited the compliance of the England Economic and Industrial Development District with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended June 30, 2005. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the England Economic and Industrial Development District's management. Our responsibility is to express an opinion on the England Economic and Industrial Development District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the England Economic and Industrial Development District's compliance with those requirements.

In our opinion the England Economic and Industrial Development District complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility program for the year ended June 30, 2005.

MARYIN A. JONEAN, C.P.A.

H. FRED RANDOW, C.P.A.

ERNEST F. SASSER, C.P.A.

ROBERT L. LUTTON, C.P.A.

ROBERT W. DYORAK, C.P.A.

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The Board of Commissioners
England Economic and Industrial Development District

Internal Control Over Compliance

The management of the England Economic and Industrial Development District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws and regulations applicable to its passenger facility charge program. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on its passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance in accordance with the Guide.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirement of laws and regulations caused by error or fraud that would be material in relation to the passenger facility charge program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Passenger Facility Charges

We have audited the basic financial statements of the England Economic and Industrial Development District, as of and for the year ended June 30, 2005, and have issued our report thereon dated November 16, 2005. Our audit was made for the purpose of forming an opinion on basic financial statements taken as a whole of the England Economic and Industrial Development District. The accompanying schedule of passenger facility charges revenue and disbursements as required by the Federal Aviation Administration's *Passenger Facility Charge Audit Guide for Public Agencies*, is presented for purposes of additional analysis and is not a required part of the financial statements of the England Economic and Industrial Development District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



PAYNE, MOORE & HERRINGTON, LLP

The Board of Commissioners
England Economic and Industrial Development District

This report is intended solely for the information and use of the Board of Commissioners and management of the England Economic and Industrial Development District, the Legislative Auditor of the State of Louisiana, and the Federal Aviation Administration. It is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is in fact a public document.

Payne, Moore & Herrington, LLP

Certified Public Accountants

November 16, 2005

**England Economic and Industrial Development District
Schedule of Passenger Facility Charges Revenue and Disbursements**

| | Year Ended June 30, 2005 | | | | | | Schedule 3 | |
|--|------------------------------|---------------------------|--------------------------|---------------------------|--------------------------|---------------------|------------------------------|------------------|
| | 06/30/04 | | | | | | 06/30/05 | |
| | Cumulative Program Totals | Quarter 1 Jul. - Sept. | Quarter 2 Oct. - Dec. | Quarter 3 Jan. - March | Quarter 4 Apr. - Jun. | FY - 05 Total | Cumulative Program Totals | |
| Revenue | | | | | | | | |
| Collections | \$ 1,760,919 | \$ 124,779 | \$ 143,120 | \$ 116,951 | \$ 140,789 | \$ 525,639 | \$ | 2,286,558 |
| Interest | 31,489 | 3,887 | 5,291 | 5,411 | 8,190 | 22,779 | | 54,268 |
| Total Revenue | 1,792,408 | 128,666 | 148,411 | 122,362 | 148,979 | 548,418 | | 2,340,826 |
| Disbursements | | | | | | | | |
| APP 99-01-C-00-AEX | | | | | | | | |
| ARFF vehicle | 343,967 | - | - | - | - | - | | 343,967 |
| Terminal financing and interest | 202,333 | 185,374 | (4,544) | 452,685 | - | 613,515 | | 815,848 |
| PFC application fees | 78,048 | - | - | - | - | - | | 78,048 |
| Total APP 99-01-C-00-AEX | 624,348 | 165,374 | (4,544) | 452,685 | - | 613,515 | | 1,237,863 |
| Net PFC Revenue | 1,168,060 | (36,708) | 152,955 | (330,323) | 148,979 | (85,097) | | 1,102,963 |
| Unexpended PFC Funds, Beginning of Period | - | 1,168,060 | 1,131,352 | 1,284,307 | 953,984 | 1,168,060 | | - |
| PFC Account Balance, End of Period | \$ 1,168,060 | \$ 1,131,352 | \$ 1,284,307 | \$ 953,984 | \$ 1,102,983 | \$ 1,102,963 | \$ | 1,102,963 |

Notes:

The accompanying schedule of passenger facility charges revenue and disbursements is prepared on the cash basis of accounting in accordance with the requirements of the Federal Aviation Administration. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Note 1 to the financial statements provides additional information relative to the District's accounting policies.

See independent auditor's report.

**England Economic and Industrial Development District
Passenger Facility Charge Program Audit Summary
Year Ended June 30, 2005**

- | | | |
|--|-------------------------------------|-----------------------|
| 1. Type of report issued on PFC financial statements. | <u> X </u> Unqualified | <u> </u> Qualified |
| 2. Type of report on PFC compliance. | <u> X </u> Unqualified | <u> </u> Qualified |
| 3. Quarterly Revenue and Disbursements reconcile with submitted quarterly reports and reported un-liquidated revenue matches actual amounts. | <u> X </u> Yes | <u> </u> No |
| 4. PFC Revenue and Interest is accurately reported on FAA Form 5100-127. | <u> X </u> Yes | <u> </u> No |
| 5. The Public Agency maintains a separate financial accounting record for each application. | <u> X </u> Yes <u> </u> N/A | <u> </u> No |
| 6. Funds disbursed were for PFC eligible items as identified in the FAA Decision to pay only for the allowable costs of the projects. | <u> X </u> Yes <u> </u> N/A | <u> </u> No |
| 7. Monthly carrier receipts were reconciled with quarterly carrier reports. | <u> X </u> Yes | <u> </u> No |
| 8. PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds. | <u> X </u> Yes | <u> </u> No |
| 9. Serving carriers were notified of PFC program actions/changes approved by the FAA. | <u> </u> Yes <u> X </u> N/A | <u> </u> No |
| 10. Quarterly Reports were transmitted (or available via website) to remitting carriers. | <u> X </u> Yes | <u> </u> No |
| 11. The Public Agency is in compliance with Assurances 5, 6, 7 and 8. | <u> X </u> Yes | <u> </u> No |
| 12. Project design and implementation is carried out in accordance with Assurance 9. | <u> X </u> Yes | <u> </u> No |
| 13. Program administration is carried out in accordance with Assurance 10. | <u> X </u> Yes | <u> </u> No |
| 14. For those public agencies with excess revenue, a plan for the use of this revenue has been submitted to the FAA for review and concurrence. | <u> X </u> Yes <u> </u> N/A | <u> </u> No |